BRITISH COLUMBIA

BC STATS

Service BC
Ministry of Labour & Citizens' Services

Infoline

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- **BC manufacturers optimistic about third quarter prospects**
- **Retail sales up 1.3% in May**
- **Performing arts and heritage institutions popular with British Columbians**

The Economy

- **Despite the appreciation of the Canadian dollar and rising oil prices, BC manufacturers surveyed in July remained fairly optimistic about prospects for the third quarter.** Most (62%, *seasonally adjusted*) expected to see little change in production, while 23% anticipated an increase, and 15% forecast a decline. Sixty-seven percent said that they thought the number of orders received in the third quarter would be about right, and 22% expected orders to rise. Producers weren't anticipating big changes in the backlog of unfilled orders or finished product inventory levels. While 66% said employment levels will be unchanged, 20% expected job prospects to improve, and only 14% anticipated job losses.

  Canadian manufacturers had a similar, though slightly less promising view, as 60% expected production prospects to remain about the same while equal proportions anticipated a decline (20%) or an increase (20%) in production. Thirteen percent of Canadian manufacturers thought inventory levels would be too high, and 18% expected that orders would rise. Job losses (16%) were thought to be marginally more likely than job gains (15%), although most manufacturers (68%) did not anticipate much change in employment prospects.

  Data Source: Statistics Canada

- **Retailers in the province had a good month in May as sales jumped 1.3% (*seasonally adjusted*), following a similar increase in April (+1.5%).** Retailers of clothing & accessories, building & outdoor home supplies and furniture & electronics posted healthy gains, and sales at gas stations jumped again in May. However, pharmacies and food stores saw sales drop off.

  Canadian sales receded (-0.6%) after two months of strong gains. A downturn in Ontario (-1.9%), and Quebec (-0.6%) offset gains in western Canada. Manitoba (+0.8%), Saskatchewan (+0.5%), Alberta (+0.1%) and BC all posted increases. *Data Source: Statistics Canada*

- **The number of British Columbians receiving regular employment insurance (EI) benefits fell 1.2% (*seasonally adjusted*) in May, dropping to 41,370.** Nationally, the number of beneficiaries was down 1.6%, to 483,480.

  Data Source: Statistics Canada

- **Restaurant, caterer and tavern receipts in the province edged down 0.4% (*seasonally adjusted*) in May, as food service establishments in the province saw revenues decline 1.1%.** Receipts at drinking places continued to rebound from a slump earlier in the year. They were up 8.9% in May, but this was not enough to offset the downturn at food service establishments, which account for more than 90% of total receipts. Nationally, sales edged up 0.8% with drinking places (+0.9%) and food service establishments (+0.8%) making similar gains.

  Data Source: Statistics Canada & BC Stats

Performing Arts

- **Non-profit performing arts organizations in the province put on 6,890 performances which were seen by nearly 2.1 million people in 2004.** Nationally, 14.2 million people went to see 43,730 performances put on by not-for-profit arts organizations. Theatre (7.8 million) was the most popular, followed by musical groups or artists (3.2 million) and dance (1.6 million). Another 1.1 million attended musical theatre, dinner theatre or opera performances, and just under half a million saw other types of performances. *Data Source: SC, Cat. # 87-004-XIE*

Report Roll the credits for BC's film & TV sector

Did you know...
The average Canadian opened his or her first bank account at the age of 13. Nearly half (45%) of them deposited earnings from their first job. *Source: Ipsos Reid*

Heritage Institutions

- **Attendance at non-profit heritage institutions in the province was over 4.9 million in 2004.** Nationally, attendance at non-profit museums, art galleries, planetariums, historic sites, zoos and gardens topped 30 million. Total attendance (including visitors to art galleries and other institutions which operate primarily to sell the objects they exhibit, or on a for-profit basis) was 35 million, up significantly from 32 million in 2002.

  Heritage institutions in BC received $154 million in operating revenues (both earned and unearned). Non-profit institutions accounted for about two-thirds ($108 million) of this total.

  Data Source: SC, Cat. # 87-F0002-XIE

Radio Listening

- **British Columbians spent less time tuned in to the radio in 2005 than other Canadians.** Last fall, an average of 17.2 hours per week were spent listening to radio programmes, half an hour less than in 2004 (17.8 hours). Radio listening time has been declining steadily. British Columbians spent more than 20 hours a week tuned in to the radio in 1991.

  Overall, radio listening time remained stable in Canada for the third straight year (19.0 hours). Residents of PEI were the most avid listeners in 2005 (21.2 hours), taking in four more hours a week than British Columbians.

  In terms of genre, radio listeners in BC are most likely to be tuned in to adult contemporary stations (20.6% of total listening time), gold/oldies/rock stations (16.8%) and the CBC (12.2%). In the prairies and in some of the Atlantic provinces, country stations remain by far the most popular. Compared to the Canadian average (3.0%), US stations have a relatively strong foothold in BC (4.8%). Ontario (4.9%) and New Brunswick (3.5%) were the only other provinces where residents were more likely to tune in to stations from south of the border.

  Data Source: SC, Cat. # 87-F0007-XIE

Labour and Time-Use

- **In 2005, older Canadians aged 55 to 64 spent more time working and less time on leisure activities compared to 1998.** Both men and women spent approximately one hour more per day doing paid work. A new study based on time use data from the General Social Survey (GSS) found that for older women, average daily time devoted to pursuing active leisure dropped from 4.3 hours in 1992 to 3.6 hours in 2005. Men in this age group spent 3.5 hours per day in active leisure last year, half and hour less than in 1998. Findings from this survey reflected data from the Labour force Survey which indicates changing employment patterns among older workers. In 1998, 59% of men aged 55 to 64 were employed and by 2005 this proportion had grown to two-thirds (68%). Among women of the same age, 51% had jobs in 2005, compared to 41% six years earlier.

  Data Source: SC, Cat. # 89-622-XIE2006002

- **Canadian women continue to do more of the housework than men, but men are contributing more to household chores and women are spending more time at work.** According to a new time-use study, the gap in the division of labour between women and men is slowly getting narrower as women are devoting much more time to paid work and men gradually spend more time on unpaid work in the house. In 2005, men spent an average of 2.5 hours daily on household work, up from 2.1 hours in 1986. Meanwhile, women spent an average of 4.4 hours at the office in 2005, up from 3.3 in 1986. The time men spent in paid labour was also up slightly (from 6.1 to 6.3 hours), while the time women spent on household labour declined by about a half-hour (from 4.8 to 4.3 hours). Overall, between 1986 and 2005, the workday became longer for both men (+0.6 hours) and women (+0.8 hours). Much of the overall changes were attributable to participation rates. For example, 69% of men aged 25 to 54 did some housework daily (up from 54% in 1986) while women's participation rate in household labour remained steady (90%). In 2005, approximately seven out of ten married men did some housework. *Data Source: SC, Cat. # 75-001-XIE*

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Infoline Report

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Contact: Dan Schrier (250) 387-0366
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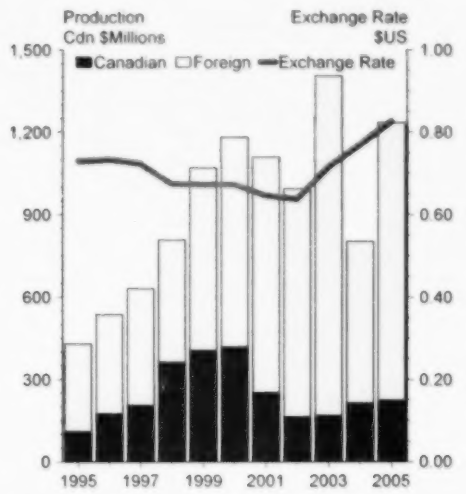
Roll the Credits for BC's Film and TV Sector

Film and television production in BC rebounded in 2005 and production levels so far in 2006 indicate that this year will be another good one for the sector in BC. This production boom is occurring despite the continuing rise in the value of the Canadian dollar, which is eroding some of Canada's competitive advantage in terms of costs.

Film and television production in BC increased in 2005 despite appreciation of the Canadian dollar



Source: BC Film Commission

It is possible that the sector has yet to suffer ill effects from the soaring dollar because most of the productions currently underway were locked into contracts many months ago and the studios ensured certainty in their budgets by buying forward Canadian currency at rates available at that time. Another likely factor is that there has been a return to popularity of dramatic television series after several years of taking a backseat to reality-based programming. BC has long been a popular location for television series and movies-of-the-week and is benefiting from the resurgence of dramatic television. However, perhaps the largest reason for the ability of the BC industry to remain competitive in the face of an appreciating dollar is the availability of significant tax credits for film and television productions operating in the province.

Filmmakers have access to tax credits from both the federal and provincial governments that can greatly reduce their labour costs. These credits often play a deciding role in whether or not a film or television production will be shot in the province. For example, in 2005, when both Ontario and Quebec increased the level of credit available to film and television productions, a number of high-profile film productions threatened to leave BC to take advantage of the lower cost atmosphere in Ontario. The BC government responded by raising its own tax credit levels from 11% to 18% for foreign productions and 20% to 30% for domestic productions. The higher rates once again made BC competitive not only with its Canadian rivals, but also with potential locations in the United States.

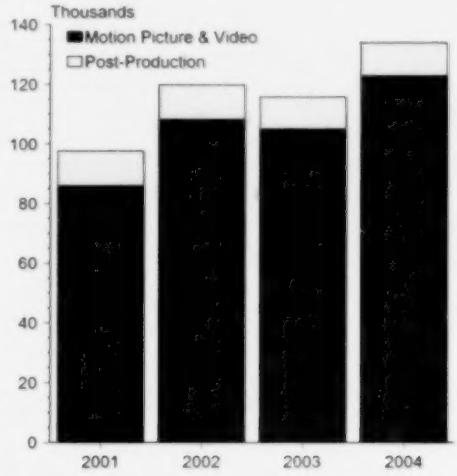
The raising of provincial tax credits has renewed complaints in the United States, particularly in California, about the effects of so-called "runaway" production. There are those in Hollywood that claim that, by offering unfair subsidies, Canada has attracted productions that would have otherwise been shot in California. Ironically, some of these same groups are behind efforts to get the California state government to offer similar tax credits.

The truth of the matter is that BC and other Canadian provinces are not the only regions offering incentives to filmmakers. Several states in the US offer comparable benefits to film productions and some of these states

have been able to lure production away from the traditional film centre of Hollywood. In fact, the term "runaway" production was first coined to refer to productions that eschewed Hollywood for South Carolina. More recently, Louisiana has started offering some lucrative incentives and production in that state has grown 25 fold in just five years, although hurricane damage has affected production this year.[1] Other countries, such as Australia and New Zealand, as well as some Eastern European countries, such as Romania, have also climbed on board with subsidies and tax credits to attract film productions.

Despite the predictions of doom and gloom coming from Hollywood, the effects of runaway production have been less than devastating for California's film industry. According to the US Bureau of Labor Statistics, employment in the film and television industry in California climbed 37% from 2001 to 2004.[2] This is well in excess of the 9.6% growth in film and television employment in the United States as a whole over the same period. While it is true that film and television projects filmed outside of California have grown significantly in recent years, so too have the number of projects filmed within the state. According to FilmL.A. Inc., an industry development organization, the number of production days for both features and television increased in both 2004 and 2005 and while the production days for feature films in 2005 were about 4% below the 1994 to 2004 average, the number of production days for television was 66% higher than the average over that period.[3]

Film and television employment in California increased 37% between 2001 and 2004



Source: US Bureau of Labor Statistics

Hollywood's protests about foreign locations standing in for American cities is somewhat hypocritical considering that the back lots of major Hollywood studios have historically stood in not only for other American cities such as New York and Atlanta, but also other cities around the world such as Paris and London. The idea that Hollywood is the natural location for all film and television production and that movies and television shot elsewhere are somehow stolen doesn't hold up, particularly in the current global environment where services are increasingly mobile.

Considering that a significant percentage of both the financing for and revenues from US films and television programs are derived from foreign sources, it seems reasonable that some of these projects are filmed

[1] A June 5, 2006 news release on the Louisiana Office of Film and Television Development website (www.lafilm.org) states that the value of film projects in the state grew from $20 million in 2001 to $500 million in 2005 (Greg Hilburn, "La. film office director: State is becoming a hub" from the *Monroe News Star*).

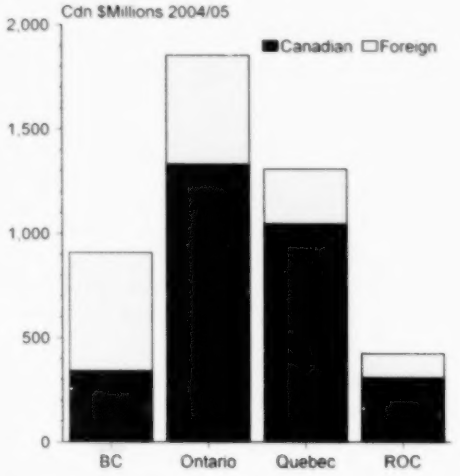
[2] The film and television industry is here defined as being comprised of NAICS industries 51211 Motion Picture and Video Production and 51219 Post-Production and Other Motion Picture and Video Industries.

[3] Data extracted from www.eidc.com.

outside of the United States. Jack Valenti, President and CEO of the Motion Picture Association of America, summed it up best when he testified before the US Senate that, "The U.S. movie industry alone has a surplus balance of trade with every single country in the world. No other American enterprise can make that statement."[4]

Within Canada, British Columbia is the primary location for foreign film and television production. In 2005, almost 82% of the $1.2 billion spent in BC on film and television production was derived from foreign productions.5 Based on data from an annual report published by the Canadian Film and Television Production Association, other provinces in Canada with a significant film industry have far less dependence on foreign productions compared to BC.6 From 2000/2001 through 2004/2005, the average value of foreign production as a percent of total production was 70% in BC. By comparison, the five-year average for Quebec was only 22% and for Ontario was 27%. Approximately 37% of all film and television production spending in Canada was from foreign productions.

BC is far more dependent on foreign location projects than the rest of Canada



Source: Canadian Heritage, CFTPA, APFTQ

The dependence on foreign production puts the BC industry in a precarious position given the mobility of the industry and the willingness of the major studios to locate productions wherever costs are lower. If the BC government had not matched the film credits offered by Ontario, it is quite probable that BC would have lost several large film projects. The problem is that another jurisdiction may come along and offer even better incentives to the film industry that could again threaten the BC industry. Should the BC government follow suit and again increase the available tax credits? When does it stop making sense to continuing upping the ante in order to attract Hollywood productions to BC?

According to the InterVISTAS report, "Film and Television Industry Review" commissioned by the BC Ministry of Economic Development, that point has already been reached. However, there have been many criticisms aimed at the methodology used in the report calling into question the conclusions, particularly from within the film indus-

[4] Quote taken from "Canada-US trade in film production services" on the Canadian Embassy in Washington's web pages: http://www.dfait-maeci.gc.ca/can-am/washington/trade_and_investment/filmfacts-en.asp

[5] Source: BC Film Commission.

[6] *Profile 2006: An Economic Report on the Canadian Film and Television Production Industry* is an annual report published by the Canadian Film and Television Production Association with the collaboration of l'Association des producteurs de films et de télévision du Québec and the Department of Canadian Heritage using facts and figures prepared by the Nordicity Group Ltd. Note that the figures quoted from this publication may not be entirely consistent with those from the BC Film Commission due to definitional and methodological differences.

try. Even if the report's findings are faulty, there is no arguing that eventually a point will be reached where, if incentives continue to be enhanced, the costs of providing these incentives will outweigh their benefits. For the industry in BC to not only survive, but thrive, it may have to reduce its dependence on foreign location production and move towards more domestic production.

This may be easier said than done, however. Canada's domestic film and television sector faces some serious challenges, ranging from funding issues to finding an audience for its product. According to the *Profile 2006* publication, only 5.4% of Canadian box office revenues were from Canadian films in 2005. For films in English, the figure drops to a dismal 1.1%. Thanks to Canadian content regulations, the numbers are a little better for television, but even there, nine of the top ten programs in Canada in 2004/05 were American and the only Canadian program to crack the top ten was a Canadian clone of an American program: *Canadian Idol*.

Part of the problem for Canadian films is the difficulty in finding venues to showcase them as the major American studios have a virtual monopoly on Canadian theatres. Canadian distributors are also substantially disadvantaged when it comes to funding for marketing and promotion. This combination makes it unlikely that a Canadian film will be able to generate big box office revenues, which leads to a bit of a Catch-22, because if Canadian films can't earn much, there will be less money available to invest in new films and therefore the budgets of Canadian films will remain low, which will affect the quality, which will in turn affect the box office receipts.

There is some funding available for the Canadian film and television industry from government agencies, such as Telefilm Canada, but in recent years some of this funding has been cut. The federal government reduced funding available for domestic television production through the Canadian Television fund by 25% in 2003 and the provincial government trimmed the budget for BC Film in 2004, taking away a source of equity financing for feature film projects.

The film and television sector offers many benefits, including high paying jobs and economic diversification so it is certainly worthwhile to ensure that the industry in BC remains healthy. Industry groups such as the Motion Picture Production Industry Association have suggested that given the fickle nature of servicing foreign productions from major Hollywood studios, the best way to accomplish this goal may be to shift the emphasis toward more domestic production. The industry in BC and the rest of Canada cannot sustain itself if it continues to chase after American productions that will gravitate toward the lowest cost alternative.

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BC at a glance . . .

POPULATION (thousands)	Apr 1/06	% change on one year ago
BC	4,292.2	1.3
Canada	32,501.1	1.0
GDP and INCOME		
(BC - at market prices)	2005	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	168,011	6.8
GDP *($ 1997 millions)*	144,028	3.5
GDP *($ 1997 per Capita)*	33,853	2.2
Personal Disposable Income *($ 1997 per Capita)*	20,693	2.5
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May	3,769	0.9
Merchandise Exports - May	2,683	-3.0
Retail Sales - May	4,491	1.3
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Jun 2006)	one year ago	% change
BC	2.2	2.0
Vancouver	2.1	1.8
Victoria	1.9	2.1
Canada	2.5	2.5
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Jun '06	prev. month
Labour Force - BC	2,289	-0.6
Employed - BC	2,192	-0.1
Unemployed - BC	97	-10.2
		May '06
Unemployment Rate - BC *(percent)*	4.3	4.7
Unemployment Rate - Canada *(percent)*	6.1	6.1
INTEREST RATES (percent)	Jul 26/06	Jul 27/05
Prime Business Rate	6.00	4.25
Conventional Mortgages - 1 year	6.60	4.90
- 5 year	6.95	5.80
US/CANADA EXCHANGE RATE	Jul 26/06	Jul 27/05
(avg. noon spot rate) Cdn $	1.1378	1.2342
US $ *(reciprocal of the closing rate)*	0.8789	0.8102
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Jun '06	one year ago
BC	722.67	3.1
Canada	726.66	3.6

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

BC and Regional population projections

Projected population to 2031 for British Columbia and a variety of small regions within B.C. (P.E.O.P.L.E. 31).

www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp#admin

Regional employment projections

BC Stats, with the financial assistance of the Ministry of Advanced Education, developed the Regional Employment Projection Model (REPM), designed to project industrial and occupational employment in regions of the Province of British Columbia.

www.bcstats.gov.bc.ca/data/lss/repm.asp

Socio-Economic Profiles & Indices 2005

Updated annually, this body of work provides a coherent and relatively comprehensive measurement of social stressors at sub-provincial areas. Charts, tables and, within the indices, consolidated rankings, make the information broadly accessible.

www.bcstats.gov.bc.ca/data/sep/index.asp

Released this week by BC STATS

- BC Business Indicators, July 2006
- Current Statistics, July 2006

Next week

- Tourism Sector Monitor, July 2006
- Labour Force Survey, July 2006
- Earnings and Employment Trends, July 2006

BC STATS, Ministry of Labour and Citizens' Services, Box 9410 Stn Prov Govt, Victoria, B.C. V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: www.bcstats.gov.bc.ca E-mail: BC.Stats@gov.bc.ca